

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE**

45 Fremont Street
San Francisco, CA 94105

**NOTICE OF ADOPTION OF EMERGENCY REGULATION PURSUANT TO
GOVERNMENT CODE SECTION 11346.1(b)**

ER02026113

March 17, 2003

California Insurance Commissioner John Garamendi (“the Commissioner”) hereby provides notice that he will submit the adoption of sections 2194 – 2194.8 of Article 11 of Subchapter 1 of Chapter 5 of Title 10 of the California Code of Regulations (CCR) to the Office of Administrative Law for approval pursuant to California Government Code section 11346.1(b).

This Notice contains a description of the problem and the necessity for the regulation, a justification for the regulation, and the text of the regulation.

This Notice is provided to every person, group, and association that has previously filed a request for notices of regulatory action with the Commissioner.

The Department will submit this regulation to the Office of Administrative Law for adoption on an emergency basis, along with the Department’s rulemaking file, not less than five (5) working days after the mailing of this Notice. Questions regarding this rulemaking action should be directed to:

California Department of Insurance
Legal Division
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DESCRIPTION OF PROBLEM AND NECESSITY FOR REGULATION

Assembly Bill 2856 (Chavez) of 2002 (Chapter 437, Statutes of 2002), effective January 1, 2003, adds Article 16.1, commencing with section 1758.6, to Chapter 5 of Part 2 of Division 1 of the California Insurance Code, creating a new category of production agency license to include the Communications Equipment Insurance Agent License. This bill provides for the Commissioner to issue a communications equipment insurance agent license to a communications equipment vendor, as defined, authorizing the vendor to sell or offer to its customers insurance covering communications equipment. The bill imposes certain requirements on the licensees and endorsees with respect to training and other related matters.

The bill also contains a provision that allows the Commissioner the discretion of postponing the processing of the applications for this new license based on the volume received and the

determination that sufficient personnel to carry out the provisions of the bill are in existence or have been authorized in the Budget Act of 2002 or a subsequent budget act. If, however, the Commissioner receives 50 or fewer applications before April 30, 2003, the Commissioner shall be deemed to have sufficient personnel to carry out the provisions of the bill and the bill shall immediately become operative.

The Department's Licensing Services Division, Administration and Licensing Services Branch, presented several options for implementing the bill. The licensing staff recommended postponement of the decision until April 30, 2003, upon a certainty of the volume of applications received and assessment of the concurrent personnel situation. The bill, however, requires that the Department accept applications as of January 1, 2003.

Existing law makes it a crime to act or assume to act in a capacity for which a production agency license is required without having such a license. By creating a new category of production agency license, this bill expands the scope of activities for which a license is required. Thus, this bill also expands the scope of an existing crime. Emergency regulations are necessary to advise applicants of the requirements for the Communications Equipment Insurance License and to establish the guidelines and fees necessary for the Department's immediate acceptance of applications.

The regulation hereby noticed fulfills the legislative mandate by implementing, interpreting, and making specific the provisions of the law.

JUSTIFICATION FOR ADOPTION OF EMERGENCY REGULATION

This regulation is necessary to implement, interpret, and make specific the provisions of California Insurance Code sections 1758.6 through 1758.693.

TEXT OF THE REGULATION TO BE ADOPTED

The text of the regulation is attached, along with applicable licensing forms as found in Attachments A through G.